

SUBJECT: Business and Industry Guaranteed Loan Program  
Planning and Performing Development

TO: State Directors, Rural Development

ATTN: Business Programs Directors

**PURPOSE/INTENDED OUTCOME:**

The purpose of this Administrative Notice (AN) is to provide guidance on accepted engineering and design practices and progress inspections. Results of an Office of Inspector General audit indicate that sufficient guidance is not in place to clarify that independent professionals should be used to prepare cost estimates and designs for projects involving new development and a qualified inspector should complete progress inspections.

**COMPARISON WITH PREVIOUS AN:**

There is no previous AN on this subject.

**IMPLEMENTATION RESPONSIBILITIES:**

RD Instruction 4279-B, section 4279.156(a), requires that the lender ensure that the project functions at the level and quality contemplated by the application through the use of accepted architectural and engineering practices and conformation with all applicable Federal, State, and local codes and requirements. There is no absolute requirement that the goal be achieved by the use of an independent professional applying these methods. But, if, after careful review, it appears that the use of an independent professional is the only method that assures that the regulation's requirements are achieved, one may be required. If other less expensive or rigorous methods will achieve the same result, they may be utilized. The decision should be made on a case-by-case approach and be reasonable, under the specific circumstances of the case.

EXPIRATION DATE:  
August 31, 2004

FILING INSTRUCTIONS:  
Preceding RD Instruction 4279-B

Section 4279.156(b) requires the lender to monitor the progress of construction and undertake the reviews and inspections necessary to ensure that construction conforms with applicable Federal, State, and local code requirements. There is no absolute requirement that the goal be achieved by the use of an independent professional applying these methods. But, if, after careful review, it appears that the use of an independent professional is the only method which assures that the regulation's requirements are achieved, one may be required. If other less expensive or rigorous methods will achieve the same result, they may be utilized. The decision should be made on a case-by-case approach and be reasonable, under the specific circumstances of the case.

If you have any questions, please contact Debi Raygor, Business and Industry Division, Processing Branch, (202) 205-0894.

*(Signed by John Rosso)*

JOHN ROSSO  
Administrator  
Rural Business-Cooperative Service